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**U.S. House of Representatives**  
**Committee on Financial Services**  
2129 Rayburn House Office Building  
Washington, DC 20515

March 22, 2004

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The Honorable Lincoln Diaz-Balart, Chairman  
The Honorable Louise Slaughter, Ranking Member  
Subcommittee on Rules  
Committee on Homeland Security  
2244 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Diaz-Balart and Ranking Member Slaughter:

Thank you for your recent invitation to appear before the Subcommittee on Rules on the effect of the Rules of the House on consideration of homeland security matters. While we will not be appearing before the Subcommittee, we have enclosed our joint written statement on the subject, and would appreciate it being made a part of the hearing record.

Again, we appreciate the invitation to testify, and look forward to working with you as the Subcommittee continues its work. Should you or your staff have any questions, please contact either of us, or Mr. Hugh Halpern of the Majority staff at extension 5-7502, or Mr. Jaime Lizarraga of the Minority staff at extension 5-4247.

Yours truly,

  
MICHAEL G. OXLEY  
Chairman

  
BARNEY FRANK  
Ranking Member

Enclosure

**JOINT STATEMENT OF  
CHAIRMAN MICHAEL G. OXLEY AND RANKING MEMBER BARNEY FRANK  
BEFORE THE SUBCOMMITTEE ON RULES  
SELECT COMMITTEE ON HOMELAND SECURITY**

March 24, 2004

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Chairman Diaz-Balart, Ranking Member Slaughter, and Members of the Subcommittee, we appreciate this opportunity to offer our views on the future of the Select Committee on Homeland Security. Our comments for the Subcommittee will not address the issue of whether the Select Committee should be added to the list of permanent standing committees of the House in the 109th Congress or beyond; rather, they will lay out the important work done by the Committee on Financial Services in the post-9/11 era, and express our view that any changes to Rule X should permit our committee to continue our work on those issues.

**THE COMMITTEE ON FINANCIAL SERVICES**

Established in the 107th Congress, the Committee on Financial Services represents the latest effort on the part of the House to rationalize rule X with the evolution of the modern economy. With the passage of Gramm-Leach-Bliley and the ongoing modernization of the financial services industry, the House recognized the need to merge the jurisdiction of the old Committee on Banking and Financial Services with jurisdiction over securities and exchanges and insurance previously exercised by the Committee on Commerce. This combination was intended to better reflect the realities of the marketplace, and we believe that our track record demonstrates the wisdom of that decision.

In the 3 short years since the Committee came into existence, we have been forced to respond to a series of crises which threatened the economic well-being of the Nation. The Committee was only 9 months old when Manhattan was attacked on September 11, 2001. Yet the Committee's oversight and coordination played an important role in ensuring that banks never closed, the money supply was safe, and the capital markets reopened within days of the attacks, despite many of those markets being based within blocks of Ground Zero.

In the weeks following the attacks, the Committee authored legislation to assist the Department of the Treasury and law enforcement to track and shut off the sources of terrorist financing and to provide a temporary Federal backstop to ensure that businesses could continue to get insurance coverage for acts of terrorism. The most recent piece of financial services legislation responding to the September 11 attacks was enacted last year, ensuring that payments can continue unimpeded, even if the transportation system is crippled.

At the same time, the Committee was forced to respond to a crisis in confidence created by a series of corporate scandals, further undermining the resilience of our capital markets. The Committee responded on several fronts, culminating in enactment of the Sarbanes-Oxley Act, and recent work to address abuses found in the mutual fund industry.

All of these activities occurred outside of the Homeland Security Act and the Department of Homeland Security (DHS), yet no one would argue that they were any less important to the long-term security of the Nation, or that they should have occurred in any other venue.

#### CREATION OF THE DEPARTMENT OF HOMELAND SECURITY

During the consideration of the legislation to create DHS, Chairman Arme of the first Select Committee solicited the views of the committees of jurisdiction. Chairman Oxley and then-Ranking Member LaFalce submitted their views on H.R. 5005, the Homeland Security Act of 2002 (see attachment). In that letter, they identified several agencies either within the jurisdiction of the Committee on Financial services or which have important roles with regard to matters within the Committee's jurisdiction. While the attached letter discusses the programs in more detail, they are briefly described below.

##### *Federal Emergency Management Agency*

The Federal Emergency Management Agency (FEMA) administers 3 programs which fall under the jurisdiction of the Committee on Financial Services: (1) the National Flood Insurance Program, (2) the Emergency Food and Shelter Program, and (3) the Defense Production Act (DPA). The first 2 programs fall within the Committee's jurisdiction over public and private housing (cl. 1(g)(8), Rule X), and the Committee is explicitly given jurisdiction over defense production (cl. 1(g)(2), Rule X).

While each of these programs is related to FEMA's core mission of preparation, response, and prevention of disasters, they are relatively small elements of the agency's portfolio. For instance, the Emergency Food and Shelter Program places FEMA in a coordination role with charitable third-parties to ensure that food and shelter resources can be dispatched where they are needed most. Similarly, FEMA's role under the Defense Production Act is to coordinate Federal agencies' decisions regarding transportation services and the availability of civil defense resources in times of national emergency, while other agencies such as the Department of Commerce and the Department of Defense implement other aspects of the DPA. The National Flood Insurance Program (NFIP), while wholly administered by FEMA, is a program which permits homeowners to purchase flood insurance, a product private insurers refuse to provide due to problems with the traditional economics of insurance underwriting when applied to flooding. Unlike much of the post-disaster aid provided by FEMA, NFIP is a premium-supported system, with the full faith and credit of the United States providing the ultimate backstop. The program's primary purpose is to ensure that home buyers can obtain the insurance demanded by lenders when the property is located within a flood plain.

### *United States Secret Service*

While the Secret Service and its activities do not fall directly within the jurisdiction of the Committee on Financial Services, its origins in the Department of the Treasury and mission have led to its historic close working relationship with this Committee, its predecessors, and other financial regulatory agencies. Since the Secret Service's founding in 1865, it has been the primary protector of the Nation's currency, and has developed extensive expertise in the protection of the Nation's payments system. This mission was expanded with the passage of the Omnibus Crime Control Act (Public Law 98-473) which gave the Service jurisdiction over crimes involving credit cards, identity theft, and computer crime. This jurisdiction was expanded again in 1994 when the Service was given additional jurisdiction to investigate fraud against financial institutions.

### RECENT ACTIVITY IN THE COMMITTEE ON FINANCIAL SERVICES INVOLVING DHS

#### *FEMA Programs*

The transfer of FEMA to DHS has not affected the legislative or oversight activities of the Committee on Financial Services. During the last session of the 108th Congress, the Committee reauthorized the Defense Production Act. On March 19, 2003, a witness from DHS appeared alongside witnesses from the Department of Commerce and the Department of Defense at a hearing on reauthorization of the DPA. The Committee reported legislation reauthorizing the DPA on April 2, 2003 (H.R. 1280; H. Rept. 108-56). The DPA was reauthorized through September 30, 2008 with enactment of the companion legislation from the Senate (S. 1608; Public Law 108-195).

Similarly, the Committee reported legislation reforming and reauthorizing the National Flood Insurance Program. The Flood Insurance Reform Act of 2003 (H.R. 253; H. Rept. 108-266) passed the House on November 20, 2003 by a record vote of 352 yeas and 62 nays, and is currently pending in the Senate. The Committee has also had to shepherd a number of short-term extensions of the program in the 108th Congress (*See* H.R. 11, H.J. Res. 2, H.R. 2555, S. 1768).

#### *Secret Service*

While the Committee has not reported legislation giving new responsibilities to the United States Secret Service since its transfer to the Department of Homeland Security, the Committee continues to enjoy a close working relationship with the Secret Service as it oversees the safety and security of the Nation's currency. The Secret Service worked closely with the Treasury Department's Bureau of Engraving and Printing (BEP) in the design of the new \$20 bill released last year, and is continuing its work with the redesign of the \$50 and \$100 bills, scheduled for release in 2004 and early 2005. With the Secret Service on the front lines of the battle against currency counterfeiting, their expertise is essential in the BEP's efforts to design currency which thwarts counterfeiters using increasingly sophisticated and readily-available technology.

## OTHER HOMELAND SECURITY-RELATED ACTIVITIES IN THE 107TH AND 108TH CONGRESSES

One of the primary lessons of the post-9/11 era is that “homeland security” is not a monolithic concept. DHS was designed to be multi-disciplinary, incorporating elements to address border and transportation security, emergency preparedness and response, and critical infrastructure protection. Yet, while DHS is one of the lead agencies in the Nation’s fight against terrorism, it does not carry out that fight alone.

One of the key elements in stopping terrorist attacks before they begin and catching the perpetrators in their aftermath is tracking terrorist financing. The Committee has engaged in vigorous oversight of the Department of the Treasury, the lead agency in this effort, as well as all of the other financial regulators to ensure that terrorist financing activities cannot escape detection, and that our financial system is not abused by terrorists.

Similarly, while DHS is the coordinating agency in the protection of the Nation’s critical infrastructure, the Department of the Treasury and the other financial regulators, including the Federal Reserve, the Securities and Exchange Commission, the FDIC, and others, have the day-to-day responsibility for securing the payments system and capital markets against all manner of attack. The rapid recovery of the capital markets and limited disruption of the banking and payments system was one of the great success stories from the events of September 11.

The Committee on Financial Services has pursued a legislative and oversight agenda intended to reinforce those elements in the tracking of terrorist financing and protection of our critical financial infrastructure, while seeking improvement in those areas where weaknesses have been found. What follows is a brief description of the Committee’s activities in this regard.

### *Money Laundering and Tracking Terrorist Financing*

What began as an effort to track the activities of drug traffickers and organized crime has evolved into one of the most essential tools in the war on terrorism. The Committee and its predecessors have held a long-standing interest in the matter, and it has been the subject of legislative and oversight activities since the early-1980s.

Jurisdictionally, money laundering and terrorist financing enforcement efforts fall into two categories: (1) criminal enforcement provisions, which fall within the jurisdiction of the Committee on the Judiciary, and (2) coordination and regulation of activities at financial institutions, securities firms, and other financial intermediaries to track and reduce money laundering, which fall within the jurisdiction of the Committee on Financial Services.

The Department of the Treasury has long been the central coordinating authority in the effort to track and disrupt the money flows to terrorists and criminals. Since the establishment of the Committee on Financial Services in the 107th Congress, it has held a number of hearings on the subject, including:

- Internet gambling and its use as a money laundering conduit (7/11/2001);
- The design and security of the Nation’s currency (7/24/2001);

- Dismantling the financial infrastructure of global terrorism (10/3/2001);
- Preventing identity theft by terrorists and criminals (11/8/2001);
- Oversight of the USA PATRIOT Act and investigating patterns of terrorist financing (2/12/2002; 9/19/2002);
- Recovering monetary assets stolen by dictators (5/9/2002);
- Progress since 9/11 in tracking terrorist financing (3/11/2003);
- Freezing, seizing, and repatriating funds stolen by Saddam to Iraq (5/14/2003; 3/18/2004); and,
- The Hamas asset freeze and other efforts to curtail terrorist financing (9/24/2003);

Additionally, the subject of terrorist financing and efforts to curtail money laundering are often the subject of questions during Chairman Greenspan's twice-yearly appearances on the state of monetary policy and the economy, as well as during routine oversight hearings on the other financial regulators.

Legislatively, the Committee has also been active in efforts to curtail money laundering. The most substantial effort in this regard was the Financial Anti-Terrorism Act of 2001 (H.R. 3004, 107th Congress), enacted as title III of the USA PATRIOT Act (Public law 107-56). This measure contained a wide-variety of provisions addressing activities commonly associated with money laundering. It gave the Treasury Department important new authorities to reduce the traditional avenues of terrorist financing, such as hawala and other informal money-transfer systems which operate outside of the traditional banking system.

Additionally, the Act strengthened already existing elements with the Treasury Department to ensure that they were suited to the job of tracking terrorist financing. Most notably, the Financial Crimes Enforcement Network (FinCEN) was elevated from an office to a bureau within the Treasury, and it was given significant new standing and resources. FinCEN draws on the expertise of a number of different agencies to serve as an "early-warning" system for terrorist financing, attempting to discover efforts by criminals and terrorists to move money through the system before it can be used to finance criminal acts. The Committee continues to closely monitor FinCEN's progress, and is actively engaged in making its efforts successful.

Similarly, the Office of Foreign Assets Control (OFAC) is an entity within the Treasury Department which receives regular scrutiny from the Committee. OFAC's mission is to freeze, seize and assist in the repatriation of foreign assets found in the U.S. banking system. OFAC and FinCEN, when taken together, are the frontline organizations in the Nation's battle against money laundering, representing the consolidation of expertise on the matter.

### *Critical Infrastructure of the Nation's Financial System*

One of the lessons arising from the events of September 11 was the importance of protecting the critical infrastructure of the Nation's financial system. The planes which hit the World Trade Center were a direct attack on the Nation's capital markets. The New York and American stock exchanges were temporarily shut down after the attacks, and a number of large market-makers, clearing operations, and other financial intermediaries

were actually located within the towers themselves. However, the New York Stock Exchange was only closed for 4 business days, and the market infrastructure demonstrated an astounding degree of resilience given the magnitude of the destruction.

Much of the credit goes to preparations made by the financial services sector in their effort to avoid problems associated with the Y2K bug. During those efforts, many of the exchanges, firms, and financial institutions took the opportunity to build redundancy and backup systems, and perfect their disaster recovery procedures. Those efforts were invaluable in ensuring that the quick recovery of the markets.

However, those same events revealed other weaknesses in the system which the Committee continues to pursue. While critical infrastructure protection has many common elements across industries, such as the need to protect important telecommunications or transportation arteries, the financial services sector has demonstrated that if other assets peculiar to that industry aren't protected, the results can be disastrous. By way of example, after the completion of a sales transaction for equities, the transaction goes through a "clearing" process which can take up to 5 days. If the records of those transactions are lost during the clearing process, literally billions of dollars could disappear from the economy in the blink of an eye. In the event of an emergency, the markets and their associated sales and clearing systems must be shut down in an orderly process so as to minimize the potential economic effects of a catastrophic failure.

Through a pattern of cooperation with the financial regulators and their regulated firms, the Committee has had a record of successful identification of problem areas, and efforts are under way to address those flaws. For instance, on February 12, 2003, the Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises held a hearing entitled "Recovery and Renewal: Protecting the Capital Markets Against Terrorism Post 9/11." This hearing featured the testimony from the General Accounting Office (GAO) highlighting their work on the financial services critical infrastructure issue, entitled "Potential Terrorist Attacks: More Actions Needed to Better Prepare Critical Financial Markets" (GAO-03-468T), as well as other testimony from the Securities and Exchange Commission, the New York Stock Exchange, NASDAQ, and the Bond Market Association. The Committee's efforts to address problem areas is ongoing both in public and non-public oversight efforts. Through the work of this study and the Committee's other work on the subject, it is apparent that a high level of expertise in the operation of the markets is necessary to protect its unique infrastructure.

#### RECOMMENDATIONS FOR THE SUBCOMMITTEE

Most of the preceding material described the Committee's interaction with DHS on those programs within its jurisdiction and the Committee's other activities which might be characterized as "related" to homeland security. However, as you can see from those descriptions, our work has focused on the aspects of homeland security which are financial in nature, and essential to the proper functioning of the financial services sector.

In general, should the House decide to add the Homeland Security Committee to the roster of standing committees of the House, we believe that those matters that currently fall within the Financial Services Committee's rule X jurisdiction are distinct enough so as to avoid any interference with the current or future work of the Homeland Security

Committee. The Committee on Financial Services and its predecessors have a demonstrated expertise in the increasingly complex financial services sector which we should be permitted to continue to exercise.

Specifically, should the House decide to reorganize rule X to better define the Homeland Security jurisdiction in the House, we recommend:

1. *Programs administered by FEMA which currently fall within the jurisdiction of the Committee on Financial Services should remain within its jurisdiction.* Those programs include the Defense Production Act (which FEMA shares with the Departments of Defense and Commerce), the Emergency Food and Shelter Program, and the National Flood Insurance Program. All of these programs are directly related to the core jurisdiction of the Committee on Financial Services, in either the areas of housing or defense production, price controls, or industrial policy. The Committee's legislative efforts on these matters have not been impeded by the transfer of FEMA to DHS. Similarly, other committees have always been FEMA's authorizing committees, and their efforts have similarly been unimpeded.
2. *Jurisdiction over money laundering and terrorist financing should remain with the Committee on Financial Services.* Despite the importance of money laundering and terrorist financing regulation to the efforts to protect the homeland, those programs are closely related to the regular operations of financial institutions and similar firms. The Department of the Treasury continues to be the lead agency in tracking, freezing, seizing, and repatriating illegal financial assets, and the Committee on Financial Services should maintain its traditional role in overseeing those operations.
3. *Any grant of critical infrastructure protection to a Committee on Homeland Security should only be "general".* While there is a role for a committee to play in formulating overall critical infrastructure protection policy, the oversight of specific sectors should remain with the committees of jurisdiction. This is similar to the grant of jurisdiction over insurance to the Committee on Financial Services, where the Financial Services Committee is granted jurisdiction over "insurance, generally", while other committees have jurisdiction over health insurance, crop insurance, and other similar matters. In the case of the Committee on Financial Services, oversight of the critical infrastructure efforts specific to the financial services sector should remain with the Committee on Financial Services.

We hope that you have found these explanations and recommendations helpful in your deliberations. We stand ready to assist the Subcommittee and the Select Committee further should you require our assistance.



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July 11, 2002

The Honorable Richard K. Armey  
Chairman  
Select Committee on Homeland Security  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Armey:

The terrorist attacks of September 11<sup>th</sup> demonstrated the need for improved security and prevention measures to combat acts of violence against U.S. citizens. The Financial Services Committee has contributed to the fight against terrorism by cutting off funding for organizations that finance terrorist activities and strengthening existing money laundering laws through the USA PATRIOT Act (P.L. 107-56). Additionally, the Committee has sought to prevent catastrophic economic losses from such attacks through the passage of the Terrorist Risk Protection Act (H.R. 3210).

The Financial Services Committee has done an extensive review of its jurisdiction as it relates to the President's proposal to create a Department of Homeland Security (H.R. 5005). The Committee strongly supports the efforts of the President and the Select Committee on Homeland Security to create a new executive department that will coordinate resources in an effort to prevent attacks on the United States.

While the Committee will not mark up H.R. 5005, it would like to identify its jurisdiction over this legislation and reserve its right to consider the issues within our jurisdiction in the future. The Committee believes that it is in the best position to continue oversight of these programs, regardless of what executive department they are located.

The following represents our views about how the programs within our jurisdiction will integrate into the new Department of Homeland Security:

**FEDERAL EMERGENCY MANAGEMENT AGENCY**

The Committee has jurisdiction over three programs within the Federal Emergency Management Agency (FEMA) that would become the responsibility of the new department created through H.R. 5005. These programs are: the National Flood Insurance Programs, the Defense Production Act and the Emergency Food and Shelter Program. FEMA's

mission is to prevent, prepare for, respond to, and recover from disasters of all types. The Committee believes that the expertise of FEMA in consequence management is critical to the function of the proposed Office of Homeland Security.

**National Flood Insurance Program** — The National Flood Insurance Act of 1968 (42 USC 4001 et seq.) created the National Flood Insurance Program (NFIP) and authorized the Director of FEMA to administer the Federal Insurance Administration (FIA). The FIA provided insurance protection for properties which are vulnerable to floods, but not insured by the private sector. Prior to passage of this act, insurance companies generally did not offer coverage for flood disasters because of the high risks involved. The legislation as amended in 1973 and 1994 authorized the FIA and Mitigation Directorate to administer the NFIP. In 2001, the FIA and the Mitigation Directorate were brought together into a single organization, the Federal Insurance and Mitigation Administration (FIMA).

FIMA has expertise in risk assessment, mitigation or loss prevention and insurance. Efforts such as resident education and flood mapping enable FEMA to reach out to residents in flood prone regions and protect against preventable losses. These services work in conjunction with the NFIP and have proven successful in building relationships in regions where floods are a threat to property and lives. The Committee understands that FIMA's risk assessment programs are now being designed to assist local communities to identify and address their vulnerabilities from natural and man-made disasters.

The Committee views FEMA's efforts to prevent and mitigate damage from floods as critical to the protection of lives and property. The Committee further believes that it is important that the NFIP and the FIMA to work together efficiently in the prevention of losses from floods and from other disasters and for that reason should for the time being remain within FEMA as it is transferred to the Department of Homeland Security. FEMA's programs may be reviewed by the Committee in the future in an effort to improve their operation and to ensure that users are properly served.

**The Defense Production Act** — The goal of the Defense Production Act of 1950 (50 USC App. 2062) (DPA) is to ensure that the United States has the ability to mobilize industrial and other civilian resources in support of national defense and civil emergency preparedness maintain military readiness when there is a threat to national security. The DPA is essential to the protection of the United States in so far as it uses economic tools to provide uninterrupted supplies of industrial resources in times of military crisis and civil emergency.

The DPA authorizes FEMA to coordinate Federal agencies' decisions concerning the provision of transportation services, the priority availability of civil defense resources, materials, services and facilities to ensure the dispersal of such resources in the interest of national defense. The DPA was reauthorized by the Financial Services Committee in 2001 for two years (P.L. 107-47).

The Committee believes the DPA is an important mechanism for the protection of the United States and should be located in the new Department of Homeland Security. Through the President's proposal, the DPA will be very important to mobilize national defense and civil emergency preparedness resources in the event of a terrorist attack or in an effort to ensure that there is adequate preparation to prevent such an attack.

**The Emergency Food and Shelter Program** - The Emergency Food and Shelter Program (EFSP) (P.L. 100-77) is governed by a national board consisting of several charitable organizations and is chaired by FEMA. The goal of this program is to allocate Federal funds for the provision of food and shelter. The national board awards funds to jurisdictions based upon a formula. Further, a small portion of the overall award is allocated by formula to state set-aside committees which then allocate funds to jurisdictions based upon the criteria they feel is most appropriate. The EFSP seeks to ensure that allocations are quickly made to neediest areas of the country, that the public and private sectors cooperate, and that decisions are made at the local level. In 2001, \$140 million in aid was distributed through this program.

It can be argued that the operation of food and shelter programs has little to do with the protection of the United States from terrorist activities. However, the EFSP is a critical program which supplies food and shelter to needy people in emergency situations, and to ensure that the program remains effective and functional, the Committee recommends that it remain within FEMA at this time. The President's 2003 budget proposal calls for the EFSP to be moved from FEMA to the Department of Housing and Urban Development. This could be an effective allocation of Federal resources to aid those in need, and the Committee may examine the viability of such a move in the future.

#### UNITED STATES SECRET SERVICE

The Committee commends the President for his proposal to move the United States Secret Service (USSS) to the new Department and maintain it as a "distinct entity" outside the four major jurisdictional cylinders established under the new Secretary. The Committee believes that the long dual-role history of the Service — investigative and protective — combined with its more recently developed expertise in preventing and investigating cyber crimes and its core mission of protecting the financial system of the United States, make the USSS uniquely suited to draw from and augment the work of the other component agencies of the new Department.

Since its founding in 1865 as the first investigative arm of the United States government and the protector of the integrity of U.S. currency, the Service has been the primary guardian of the country's financial services — banks, currency and payment systems. The added mission of personal protection, dating to 1901 following the assassination of President William McKinley, built on the Service's expertise at preventing crimes. That mission statement was expanded again in 1984 with passage of the Omnibus Crime Control Act (P.L. 98-473), adding jurisdiction over new crimes involving identity theft, access devices such as credit cards, and computer crimes. In 1994, further jurisdiction was added, recognizing USSS expertise investigating fraud against financial institutions. Today, the Secret Service has over 6,000 employees, an annual budget of just over \$1 billion and 125 field offices across the United States and around the world.

**Infrastructure Protection** -- Springing from the Service's personal-protection role is the unique and important duty to protect critical infrastructures of the United States. The Committee believes this role should become an enhanced portion of the Service's duties at the new Department.

The events of September 11 reinforce lessons the Committee learned in efforts to protect against financial-system and infrastructure failures due to the Year 2000 problem: that

in an increasingly computerized and inter-connected world, the failure of a seemingly innocuous system can cause panic, deaths or economic calamity. Recent news stories indicating that Al Qaeda operatives have been probing the cyber security of U.S. power systems and dams as well as banks and defense systems show that the lesson has not been lost on terrorists, either. A serious compromise of these electronic networks could wreak havoc on our economy, law enforcement, military, health care, transportation and emergency services.

**Cyber Crime** -- Cyber criminals have devised sophisticated programs and techniques to defraud both consumers and private industry through electronic means. In response, the Secret Service has developed new tools to combat the growing areas of cyber terrorism, financial crime and computer fraud. These techniques include the widely respected Electronic Crimes Special Agent Program and the series of task forces modeled on the New York Electronic Crimes Task Force that are now under development. The former program provides specialized training to select agents in all areas of electronic crimes, qualifying those personnel as experts in the forensic examination of electronic evidence. The USA PATRIOT Act, to which the Committee contributed a major title, authorized the Secret Service to establish a nationwide network of cyber crime task forces, based on the New York model that uses an innovative approach allowing local, state and national law enforcement agencies to combine their resources and experience with those of prosecutors, the private sector and academic institutions to deter electronic crimes of all sorts. In recent months, the Service has launched similar task forces across the country. The Committee strongly supports these efforts and believes they can be instrumental in preventing crimes that could disrupt the financial systems of the United States.

**Anti-Counterfeiting** -- The Service's original mission in 1865 was to block the counterfeiting of the newly issued national currency, and while the mission does not today have the profile of protecting the President, it remains a core function. Indeed, the USSS anti-counterfeiting efforts may be even more important today than they were a century ago, as the U.S. dollar is the reserve currency of the world, is the official currency of a number of countries, and is the default currency of many more. The public's faith in the integrity of the dollar is at the heart of the stability of the U.S. economy.

Thus, the Committee believes that the Service's efforts to combat counterfeiting deserve continued and enhanced emphasis. Recent discoveries in Colombia of credible counterfeits of the new U.S. one-dollar coin and in both Colombia and in areas of Eastern Europe of counterfeit plants producing or ready to produce both U.S. banknotes and the new Euro banknotes indicate the magnitude of the problem. The Committee believes that the continued growth of counterfeiting by personal computer in the U.S. eventually will be mirrored overseas, where counterfeiting still mostly is done on presses and is thus somewhat easier to interdict. Also, the Committee believes that the establishment of more overseas field offices so that agents can gather and act on information first-hand -- rather than relying on other Federal law agencies or other countries' law-enforcement -- will increase the ability to stop counterfeiting.

Given the demonstrated nexus between counterfeiting, drug-running, arms-smuggling and terrorism, the Committee strongly believes that trying to staff anti-counterfeiting and other anti-crime and threat-assessment efforts for all of Central and South America and the Caribbean (except Colombia) from a single office in Miami is simply not practical anymore.

The Honorable Richard K. Armev

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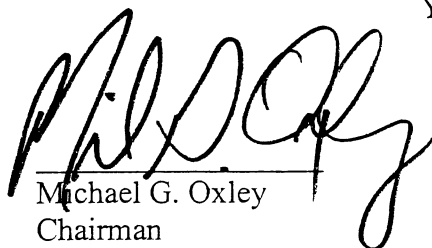
The Committee further believes that the Service's recent agreement with Europol to jointly police against counterfeiting is an important move and a model for other law enforcement that should be encouraged. The Committee stands ready to enhance other anti-counterfeiting law, as appropriate.

**Financial Crimes** – The Service's pedigree as the only Federal investigative unit until some of its agents were detailed to help form the Federal Bureau of Investigation in 1907, and its position within the Department of the Treasury, naturally led to a good relationship with the financial services industry and successes in stopping financial crimes. In the 1980s, with the advent of relatively new technologies such as computers and credit cards came a wave of an entirely new sort of bank and financial fraud, and the 1984 Act created three new criminal statutes – Title 18, Sections 1028, 1029 and 1030 – to deal with fraud in conjunction with identity documents, access device fraud and computer crimes, giving the Service major new authorities and clear jurisdiction. The USA PATRIOT Act cemented the Service's jurisdiction over Sections 1030 and 1344. The Committee believes that the Service's role in these areas, as well as the assessment of threats against financial services companies and the protection of that infrastructure – communications, power, etc. – vital to those companies, is invaluable and should be emphasized.

**Monetary Security** – While the President's legislative proposal for the new Department does not suggest consolidating the Treasury Department's monetary security forces into the new Department, the Committee believes that this could be an important step that should be closely examined. Currently the United States Mint and the Bureau of Engraving and Printing (BEP) maintain separate security forces that over the years have had varying degrees of success. The Committee feels that transferring this mission to the Secret Service in the new Department would have important benefits both to the security of the facilities that produce the country's currency and coins, and also to the security of U.S. gold reserves held at Fort Knox, currently under the supervision of the Mint. Noting that the BEP currently relies on the USSS heavily for consultations on its security arrangements, the Committee further believes that moving this mission to the Service may allow the currency-production arms of the Treasury to concentrate on what they do best and allow the Service to train its newest agents in a different form of protection detail, ultimately enhancing their abilities.

The Financial Services Committee strongly supports the efforts of the President and the Select Committee on Homeland Security to protect our citizens from terrorist attacks. While the Committee waives its referral of H.R. 5005, its Members stand ready to assist in the structuring of the envisioned Department of Homeland Security if such assistance is requested.

Yours truly,



Michael G. Oxley  
Chairman



John LaFalce  
Ranking Member